



Overview

Australia's telecommunications industry is well developed and mature. Telephone lines are connected to 96 percent of all Australian households, and total telecommunications revenue for 2005 is estimated to be US\$26 billion, of which about USA\$22 billion can be attributed to telecommunications services. Australia is implementing a range of broadband infrastructure and has seen significant expansion in the telecommunications market following deregulation in July 1997. In 2000, the federal government removed Telstra's monopoly for carrying local calls, with the unbundling of the local loop. Deregulation has resulted in expansion to more than 100 licensed carriers (from the initial two), offering a range of telecommunications services, including long-distance and local telephony, broadband services, and wireless services.

Telecommunications Parts & Equipment Market

DATA TABLE (Millions US\$)

	2003	2004	2005(estimated)
Total Market Size	4,534	4,818	4,818
Total Local Production	2,462	2,568	2,568
Total Exports	509	540	540
Total Imports	2,581	2,790	2,790
Imports from the U.S.	570	600	600

An analysis of the telecommunications carrier Telstra's structure makes interesting reading in the context of the broader telecommunications market. Telstra is 49% privatized; the Australian government continues to maintain majority ownership and heavily monitors and regulates the company's market dominance. The government enforces a universal service obligation, which negates profit-based decision-making and ensures that Telstra will provide services throughout Australia. This is particularly important in areas where low population density makes providing services a fiscally counterproductive commitment. Though its broadband services are gaining customers, these increases are not strong enough to offset falling revenue in its landline and cellular markets. A look at the company's interim profits in January 2006 also mirror trends and developments in the broader local telecommunications market. The interim report highlights that Telstra's once jewel-in-the-crown copper phone network is providing less revenue in comparison to new IP-based technologies.

Telstra's Interim Profits (January, 2006)

Internet and IP Solutions: 42% growth, increase of A\$264m

Mobiles: 4.6% growth, increase of A\$109m

Sensis (advertising and directories): 6.3% growth, increase of A\$56m

Pay TV: 29% growth, increase of A\$35m

Integrated Services Digital Network (ISDN): 7.1% fall, decrease of A\$32m

Specialized data: 8.5% fall, decrease of A\$ 42m

Fixed line voice: 7.6% fall, decrease of A\$313m

Source: Australian Financial Review

It is anticipated that the Federal Government will sell its remaining 51 percent share of Telstra (known as T3) as early as September/October 2006. However, if its share price trades well below its target of AU\$5.25, this may date may be pushed out into the future.

Directly related to the privatization of Telstra, the Federal Government has asked Telstra for a detailed plan of the steps it would take to address its natural, anti-competitive advantages before entering the world as a fully privatized competitor. The preferred model known as "operational separation" would see the wholesale and retail divisions act as distinct profit/loss units with enough transparency to ensure that competitors were not disadvantaged by any past ties with Telstra Corporation.

In addition, the Australian Competition and Consumer Commission (ACCC) has been in arbitrating on several key issues related to the telecommunications market and Telstra's central role in providing wholesale solutions to the reseller market. These cases include Telstra's wholesale price on leased lines, and the phased reduction of Fixed-to-Mobile (FTM) termination rates. At present no final decision has been brought down, but there is general concern about the effectiveness of the ACCC in a world of a fully privatized Telstra, especially in regards to the relationship between Telstra's wholesale and retail divisions.

As of Christmas 2005, Telstra, Optus, Vodaphone, and Hutchison, all started offering 3G solutions to the local market. It is estimated that there are now 800,000 3G subscribers in the Australian market, which is approximately five percent of the mobile base. The country's largest 3G provider Hutchison, pushed out some of its earliest content in the form of live sports on its cell phones over Christmas. It is anticipated that 3G will become a lot more popular during the second half of this year when Hutchison plans to shift subscribers from its cheaper Orange CDMA service to 3G services. This move is been forced by the fact that Telstra plans to dump CDMA in favor of an 850 MHz 3G service.

3G Market Break Down

No of Subscribers

Hutchison	700,000
Vodafone	50,000
Optus	25,000
Telstra	25,000

Source: Telsyte

Leading Vendors of Mobile Phones

Mobile Market Share June 2005

Nokia	35 percent
Motorola	22 percent
Samsung	17 percent
Sony Ericsson	10 percent
Siemens	3 percent
Other	4 percent

The mobile market will grow at around 17.1 percent from 2005 to 2010 according to analysts. Subscriber numbers since 2000 have been growing at 120 percent. By 2008, it is predicted that mobile penetration will reach 100 percent.

Growing in its wake is the amount users are spending on data services. In June 2004, the average revenue per user for data services was AU\$6.45/month. In 2006, users are spending AU\$8.14/month. By 2010 it is predicted that users will spend AU\$17/month a rise attributed in part, to the introduction of 2.5 and 3G services. The challenge for the mobile carriers once 100 percent penetration is reached (and it is as good as there now!), is how to increase revenues on data services. Content will be king and especially that which translates well to a small screen.

Snapshot of Broadband Deployment 2005

The Australian Competition and Consumer Commission (ACCC) – www.accc.gov.au, has released its most up-to-date findings on the rate of broadband uptake. Highlights include:

- As at September, 2005 there were 2,593,600 subscribers to broadband services.
- In the arc of one year from 2004 to 2005, broadband uptake had increased by 98 percent.
- There are 1,895,000 subscribers to ADSL services
- Satellite services are growing rapidly

According to analyst group IDC, the number of satellite customers will grow by 60 percent over the next four years from 6,500 in 2005 to 17,000 by 2010. Expenditure on these systems is predicted to grow from US\$10 million to US\$15 million. The increase in uptake in rural has been partly attributed to the boom in the resources sector, the decreased cost of bandwidth, and the ability of service providers to offer VoIP solutions on satellite data channels. Some of the leading providers of satellite services to rural Australia include Optus, PanAmSat, AsiaSat, and IPStar.

While the number of VoIP users is growing rapidly, profits within the industry are not growing proportionately. Research shows that the number of consumer and small business VoIP users increased in 2005 from 411,000 to 900,000, but the number of paying subscribers is expected to drop over time as networks consolidate and the number of users increases. The Australian VoIP market is extremely competitive, pushing down prices and encouraging peering between VoIP providers. More than 100 companies, mostly local, offer services in Australia. While it is unclear whether voice will eventually be completely free, providers have already found that they must rely on other sources of revenue. Advertising is a possible solution, but the fact remains that the market does not present as many opportunities for providers as the growing number of users would suggest. Two of the leading providers of VoIP solutions and services, Freshtel and Engin with 270,000 and 24,000 paying customers respectively, are both presently not profitable. What is clear, however, is that VoIP is here to stay, and its uptake will continue at an impressive rate over the foreseeable future.

Best Opportunities

Opportunities for U.S. vendors exist in providing equipment for the following areas:

- Broadband – wireless and fixed. There are approximately 3,00,000 broadband subscribers in Australia and the number of users switching from dial-up to broadband accounts is set to grow strongly over the next few years.
- VoIP. Still in its infancy in Australia, VoIP will become a viable option to fixed line in the corporate market.
- Switchless PABXs. With the decline in price in a number of these solutions, expect to see demand for them to grow in call centers throughout Australia.
- Security solutions
- Storage solutions

Resources

Trade Show:

CeBIT Australia, 2007

Date: May 1-3, 2006

Location: Sydney Convention & Exhibition Center

<http://www.cebit.com.au>

Publications:

CommsWorld: <http://www.Commsworld.com.au>

Exchange: <http://www.exchange.com.au>

Information Superhighways: <http://www.budde.com.au>

Associations/Government Agencies:

The Australian Competition and Consumer Commission: <http://www.accc.gov.au>

- The Australian Competition and Consumer Commission (ACCC) is the local body with the charter for ensuring compliance with the Trade Practices Act and the Telecommunications Act. The ACCC is similar in function and role to the U.S. Federal Trade Commission in that it deals with anti-competitive and unfair market practices, mergers and acquisitions and third-party access to facilities of national interest. Additionally, the ACCC is responsible for general consumer protection and competition regulation as it applies to the Trade Practices Act.

Australian Communications Authority: <http://www.aca.gov.au>

- The Australian Communications Authority is the chief regulator of the Telecommunications and Radiocommunications Act.

- ATUG is a not-for-profit membership-based organization of Australian telecommunications users; and has been working for better choice, value and services in the sector since 1981.

Australian Mobile Telecommunications Association: <http://www.amta.org.au>

- AMTA is the national industry body representing the mobile telecommunications industry in Australia.

Australian Information Industry Association: <http://www.aiia.com.au>

- The AIIA is the industry association acting for the local IT industry.

Internet Industry Association of Australia: <http://www.ii.net.au>

- Australia's national industry body for Internet commerce, content and connectivity.

For More Information

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